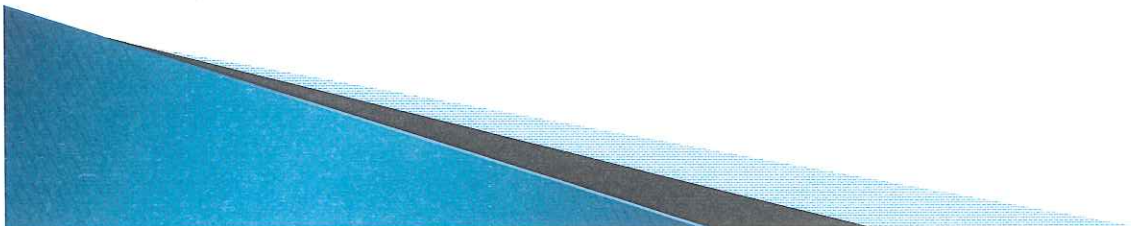


Revenue Sharing

Revenue Sharing History

- ▶ Counties received 25% of the amount collected from the first Transaction Privilege Tax levied in 1933.
- ▶ The share dropped to 20.4% two months later
- ▶ In 1935 the counties were eliminated from revenue sharing, but in 1937 counties began to receive 51%.
- ▶ In 1942 an initiative was approved to begin sharing 10% with municipalities, and the county share was reduced to 45%
- ▶ An initiative in 1960 increased the city share to 25%, reducing the county share to 33.6%.



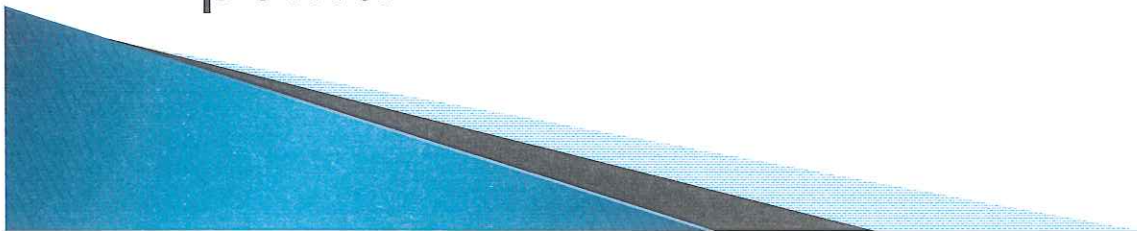
Revenue Sharing

- ▶ In 1985 several separate taxes were combined with the original Transaction Privilege Tax and consolidated into the current Transaction Privilege Tax. The foundation for the current revenue sharing formulas were enacted at that time with the establishment of the Distribution Base.
- ▶ The cities were to receive 25% and counties were to receive 38.08% of the Distribution Base. The county percentage was increased (from 33.6% to 38.08%) to reimburse the counties for lost revenues from the exemption of food sales from the state Transaction Privilege Tax (1980).



Revenue Sharing

- ▶ In 1987 legislation was passed to prohibit any county from receiving more than 63.35% of the county revenue sharing.
- ▶ In 1994 the property valuation factor in the county revenue sharing formula was replaced with a population factor. The overall county share of the Distribution Base was increased to 40.51% in order to hold harmless the counties that lost share from the population factor. This is the formula that is in place today. No change was made to the city share at that point.

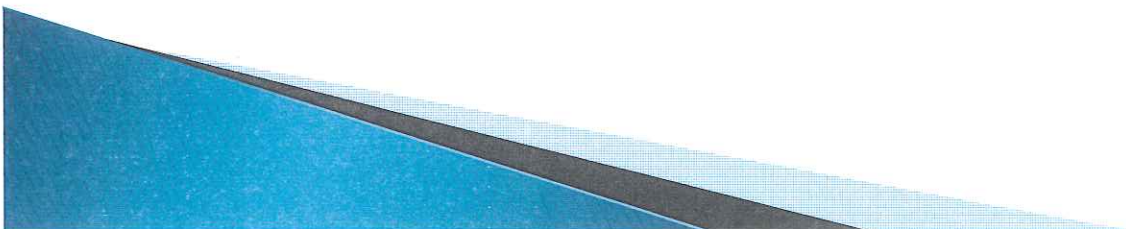


Revenue Sharing 101–review

TPT Revenue Sharing

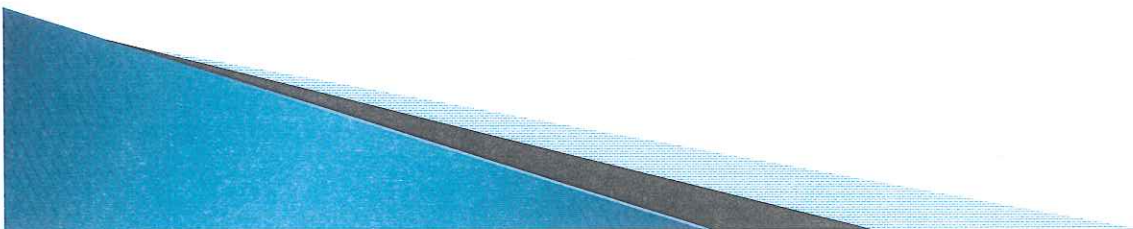
- ▶ From the state base rate* the counties and the cities receive TPT Revenue Sharing
- ▶ The TPT Revenue Sharing comes from the Distribution Base Pool, which is comprised of contributions made from taxes collected within the several categories
- ▶ Each category contributes a statutorily specified share to the Pool

*5% for most transactions



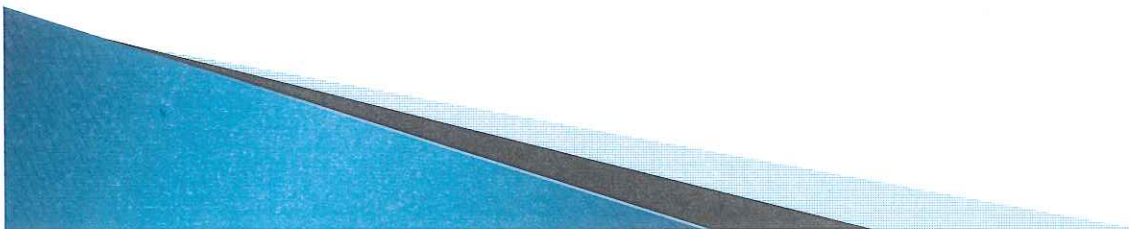
Revenue Sharing 101–review

- ▶ For example, the Retail classification contributes 40% of the 5% base rate to the Distribution Base Pool
- ▶ Prime Contracting contributes 20%
- ▶ Use Tax does not contribute to the Pool
- ▶ Contribution rates for the other major categories are as follows: Utilities and Communications, 20%; Restaurants & Bars and Amusements, 40%; and Transient Lodging, 50%



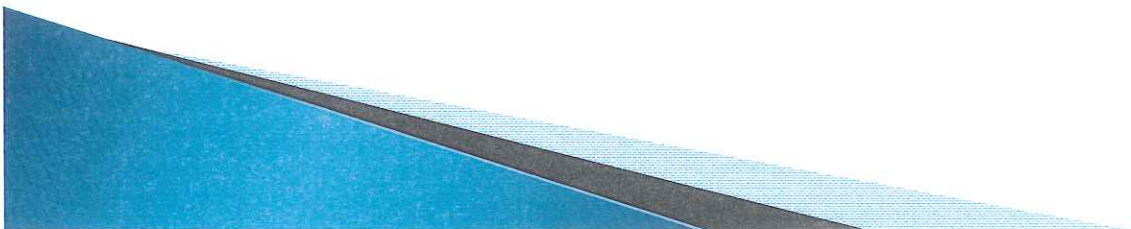
Revenue Sharing 101 –review

- ▶ Counties receive 40.51% of the Pool via TPT Revenue Sharing
- ▶ Cities receive 25%,
- ▶ The remainder goes to the State General Fund after distributions for Special Districts occur.



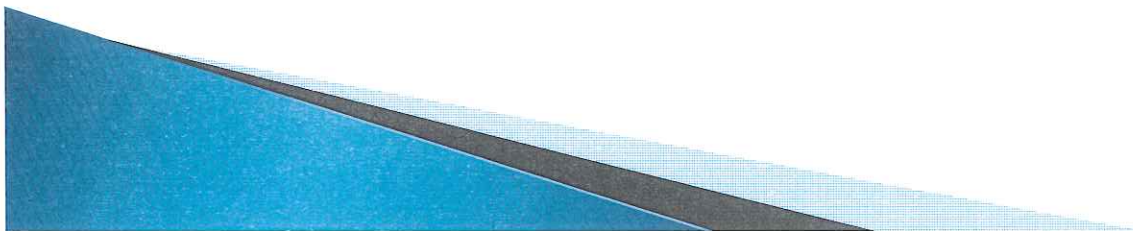
Revenue Sharing 101–review

- ▶ Each city currently receives their proportionate share based on that city's population as a share of the total incorporated statewide population
- ▶ The County formula is more complicated and utilizes the following factors:
 - Point of Sale
 - Population
 - Secondary Property Valuation



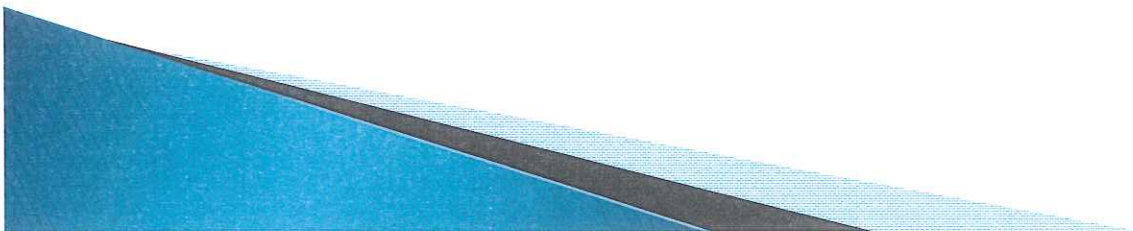
Revenue Sharing 101–review

- ▶ In FY12, the Distribution Base Pool was \$1.57 billion
- ▶ Counties received \$636 million
- ▶ Cities received \$392 million
- ▶ The remaining \$541 million was distributed to several Special Districts and the state General Fund



Revenue Sharing– Example

- ▶ A taxable retail sale of \$100,000 in Maricopa County will generate a state/county combined tax of \$7,300
 - \$3,689.80 goes to the General Fund
 - \$1,000 to the Temporary Tax
 - \$810.20 to County revenue sharing
 - \$600 to the Education Tax
 - \$500 to the City revenue sharing
 - \$500 to the Maricopa Road Extension tax
 - \$200 to the Maricopa Jail tax



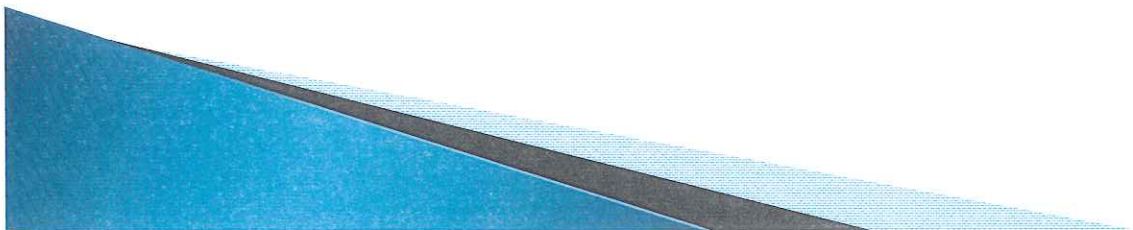
Revenue Sharing–Example

- ▶ A taxable Prime Contracting sale of \$100,000 (after deductions) in Maricopa County will generate a state/county combined tax of \$7,300
 - \$4,344.90 goes to the General Fund
 - \$1,000 to the Temporary Tax
 - \$600 to the Education Tax
 - \$500 to the Maricopa Road Extension tax
 - \$405.10 to County revenue sharing
 - \$250 to the City revenue sharing
 - \$200 to the Maricopa Jail tax



Revenue Sharing-Example

- ▶ A taxable Use sale of \$100,000 in Maricopa County will generate a state/county combined tax of \$6,600
 - \$5,000 goes to the General Fund
 - \$1,000 to the Temporary Tax
 - \$600 to the Education Tax



Comparison of Distributions

	Retail	Contracting	Use
General Fund	\$3,689.80	\$4,344.90	\$5,000.00
Temporary Tax	\$1,000.00	\$1,000.00	\$1,000.00
Education Tax	\$600.00	\$600.00	\$600.00
County Share	\$810.20	\$405.10	
City Share	\$500.00	\$250.00	
Road Tax Extension	\$500.00	\$500.00	
Jail Tax	\$200.00	\$200.00	
Total Tax	\$7,300.00	\$7,300.00	\$6,600.00

QUESTIONS?

Elaine Smith
Arizona Department of Revenue
602-716-6924
esmith@azdor.gov

